[redacted]

From: Jesse Craig <jcraig701@gmail.com>
Date: October 17, 2022 at 6:32:38 PM CDT
To: Charles Aarestad <charles.aarestad@redriverbank.com>
Subject: proposal

Lack of cost controls cut the the throats of these projects? Are you kidding me?! What are you basing that on? I build all over the nation and do so for far less than any other builder as I don't mark up every line item 5%. Great States GC fee alone is 7% with the same developer fees I charge. The Plains in Watertown in 12% per unit higher than my projects with the same rents.

You keep blaming me but how can I control rising construction costs and now interest rates that are both because of the market and the fact that you didn't get participants lined up in time or at all.

You are incorrect on your assessment of the value of the TIF as it is not secondary debt and is actually equity but again, you are taking that stance to help yourself. The TIF loan states it will allow the first mortgage to take precedent.

You listed options that are to your benefit but I still have one card to play if I need to and based on this email I might be forced to do that.

I'm tired of being blamed for situations that either yourself or your past employee have put me into and I'm not going to read a two page long email where you are trying to put your responsibility onto me and start questioning my liquidity etc.

If you wish to discuss this in person I'm free tomorrow, otherwise I will take matters into my own hands and The Ruins can sit there unfinished until we resolve this but I'm not fronting any more money out of my pocket.

We are raising rents on all projects both completed and The Ruins. On past projects we can only do that as the leases come up and even then we can only do it in steps. You not lending previously on multi family might not understand that.

You state I have no equity in the TIF but that I should do an asset sale. How do you propose that would work?

You forgot to mention sticking me with my office addition and my lake home, which by the way, I get your HELOC off of, so I can recoup some of the money I've fronted on that also.

You mention your internal lending limit but that's on Martin and you, or who was watching what he was doing that whole time? Mindy has sba loans on her, I've got land loans I'm still paying on for generations. Generations was quoted to be locked in at 4.35% and now you want me to move it to Dacotah Bank at 5.75% and you have the audacity to wonder if it will cover its debt? But it's lack of cost controls? Ha. Nice try.

By the way, sending an email such as this at the end of the day at then not being available is the most unprofessional thing I've seen and you do it all the time.

In closing, I don't have a problem meeting you halfway on a cash injection but I can't do a cash injection on The Ruins, my lake home and my office addition after already doing cash injections on Parkside and Generations. Yes, I had to finish paying out all the 10% retainages on both those projects but I doubt you noticed that on the cost to construct sheets.

Jesse R. Craig
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On Oct 17, 2022, at 5:16 PM, Charles Aarestad <charles.aarestad@redriverbank.com> wrote:

So looking at the attached excel you provided an additional $1.5mm would be total on the $10.490mm already provided would be $11.990mm which would be 102% LTV on the completed CBRE appraisal or based on the stabilized value 97% LTV. Right now at $10.490mm lent we are at 89% LTV on completed and 85% Stabilized. TIF Value is non existent as the TIF has been pledged to the TIF backed loan. CBRE Appraisal Completed Value $11.740m and Stabilized Value $12.410m off the most recent updated appraisal. The Ruins as primary security is maxed out at 85% LTV before adding the additional $1.5m on to it. More over at what rents will be during the stabilization period after construction will it support $11.990m of debt at what the market in Watertown will bear?

This feels like a broken merry go round that isn't merry as it's a repeat of Parkside and Generations with cost being more then what the initial planned cost was has drastically hindered the projects cashflow. What is truly being asked is lets do it a 3rd time.

Parkside RRSB Lent Amount $5.440m on a stabilized value of $5.950m = 91.42% LTV
Generations RRSB Lent Amount $10.397m on a stabilized value of $11.110m = 93.58% LTV

We all can agree Parkside and GO1st Term financing at these levels never worked and had to have a portion placed at a reduced level an amount that was serviceable based on the projects income ability. I may be mistaken at what pull you have at other banks on being able to for them to take more then their policy of 80% or 85% LTV, but generally participations purchased mimic their internal policy levels so we would end up creating the same issue with this same $1.5mm additional. This goes against what RRSB is trying to accomplish by correcting the lending limit violation as this will further exasperate the violation with no firm solution on the back side beside "we'll figure it out". I would love to be as naive as last fall thinking this will all work it self out but in the rising rate environment my profession guidance as a banker says no it will not without equity contributions coming in from elsewhere. Lack of cost controls cut the throat of these three projects that all things held constant would of worked probably very well.

I don't know what capacity across your balance sheet you have but putting another $1.5m on Ruins is not a solution. Its just putting more fire wood on the bonfire that you have going on when the need is to get it

under control and spread it out so it doesn't burn the house down.

Solutions to this are:

1. Outside investor – partial or full asset sale
2. Equity from somewhere or something else (Cash injection)
3. Combination of 1 & 2

I can only guide as I'm not the manager to create solutions that are outside normal banking norms. I doubt on any of your other projects you've faced cost problems like these 3 but I don't know what to suggest besides those 3 options as there is no other solutions to drive down on that are quick silver bullets.

Martin created the lending limit violation on Parkside and Generations; RRSB completed the funding beyond the commitment letters and are dealing with fallout to that still with Generations. RRSB found a solution for the Ruins at the initial $7.74m commitment letter and took it up beyond the commitment letter to max LTV FDIC banks typical stop at of 85%. This was a further violation of MN law with the $2.75m. Waiting on finding out what my penalty is personally for doing so as originating loan officer. It's the equivalent of a DUI (Jail time and fines).

This is when the farmer has to sell a quarter of land or refinance that quarter of land to get the equity to heal the farm operation. This situation really is nothing different just different industry and bigger dollars. I've exhausted all suggestions besides the above and I don't have control of that. Us going up to 85% was the max lending assistance for the Ruins.

I agree we have work well to get to this point and as frustrating as this last year has been collectively kept pushing the ball to the finish line, but the final solution is on your shoulders to get the Ruins cash flowing and marketable (finished). To my knowledge you have fulfilled your obligations in Watertown that are solely on your shoulders and hopefully during this period you didn't bite off more elsewhere as the liquidity you have will be very important till this is finished.

I'm out tomorrow afternoon, Thursday and Friday at the farm finishing up fall work this week while weather is till dry. My availability to be a sounding board will be limited till Sunday afternoon.

From: Jesse Craig <jcraig@craigprop.com>

Sent: Saturday, October 15, 2022 10:55 AM
To: Charles Aarestad <charles.aarestad@redriverbank.com>
Subject: proposal

Per attached I need $1,500,000 to finish The Ruins as I am covering all of my office addition and lake home with cash .

I will move Generations to Dacotah Bank as soon as the lien is paid off, or I pay it off and get a note with the contractor with a personal guarantee, in exchange for you financing the rest of the funds needed to finish the Ruins.

Then I will focus on moving Parkside if you want me to and then we can focus on getting the Ruins moved.

I am not sure where you are at other then already over the limit but these things are what is needed to get the projects finished and out the door.

We have worked well together thus far so I am hopeful we can get this to the finish line.

I am free to meet this week on Tuesday all day or Wednesday before 1pm.

Thank you!

Jesse Craig
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